

2021 Arizona Withholding Reconciliation Return

For information or help, call one of the numbers listed:

Phoenix (602) 255-3381
From area codes 520 and 928, toll-free (800) 352-4090

Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at www.azdor.gov.

Withholding Tax Procedures and Rulings

These instructions may refer to the department's withholding tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research* from the main menu, then click on *Legal Research* and select a Document Type and a Category from the drop down menus.

Publications

To view or print the department's publications, go to our website, select *Reports & Legal Research* from the main menu, and click on *Publications* in the left hand column.

General Instructions

Why is Form A1-R filed?

Form A1-R is an annual return filed to summarize the total compensation paid and income tax withheld for each employee during the calendar year.

Who Must File Form A1-R

Employers¹ that file Form A1-QRT must file Form A1-R to reconcile the amount of tax withheld during the year to the amount of tax liability reported during the year. In addition, Form A1-R is used to transmit federal Forms W-2 and W-2c reporting Arizona wages paid and/or Arizona income tax withheld, and federal Forms W-2G and 1099 reporting Arizona income tax withheld.

NOTE: *Employers that file Form A1-APR, Arizona Annual Payment Withholding Tax Return, should not file Form A1-R.*

IMPORTANT: *Arizona Form A1-R is an information return. Do not submit any withholding tax amount(s) owed or try to claim a refund with this return. To pay additional withholding tax amounts, or to claim a refund, file amended quarterly withholding tax Forms A1-QRT.*

Electronic Filing of Withholding Tax Returns

Arizona Revised Statutes (A.R.S.) § 43-323(F) provides that withholding returns shall be filed electronically for taxable years beginning from and after December 31, 2019.

For 2021, the department currently has three methods by which employers may file Form A1-R electronically:

- An employer may register at <https://efile.aztaxes.gov/AZFSETPortal> [AZ Web File (AZFSET)] to bulk-file its return by uploading a .csv file.
- An employer may register at <https://aztaxes.gov/Home/Page> (AZTaxes) and use the data input method to submit its return.
- Registered transmitters of AZ Web File (AZFSET) can bulk-file using the transmission method.

¹ Arizona law provides that all amounts withheld are to be treated as if the withholding was from wages paid to an employee. For ease of reading, "employer(s)" as used in these instructions refers to employers and to payers of other nonpayroll payments that withhold Arizona income tax from payments to

Submitting Federal Forms W-2, W-2c, W-2G and 1099 to the Department

Federal Forms W-2 and W-2c, W-2G and 1099 are an integral part of the reconciliation process for Arizona Form A1-R.

- Submit all federal Forms W-2 and W-2c reporting Arizona wages paid and/or Arizona income tax withheld.
- Submit all federal Forms W-2G and/or 1099 reporting Arizona income tax withheld. Federal Forms W-2G and 1099 NOT reporting Arizona income tax withheld are not required to be submitted to the department.

For calendar year 2021, an employer may submit federal Forms W-2, W-2c, W-2G, or 1099 to the department by:

- Logging into AZTaxes at <https://aztaxes.gov/Home/Page> to use the data input method, or to upload the supported federal forms as a .txt file.
- Logging into AZ Web File (AZFSET) at <https://efile.aztaxes.gov/AZFSETPortal> to upload the supported federal forms as a .txt file.
- Registered transmitters of AZ Web File (AZFSET) can bulk-file using the transmission method.
- Submitting the federal information by paper or on a CD, DVD or flash drive (Optical Media). If submitting by Optical Media, see the Section below labeled, "Optical Media".

NOTE: *The department does not support the electronic filing of all federal withholding forms (e.g. W-2 series, 1099 series). See Pub 701, Submitting Arizona Forms A1-R, or A1-APR, and Federal Forms W-2, W-2c, W-2G and 1099, for a list of the required federal withholding forms that are currently supported by the department for electronic filing.*

Any unsupported federal forms reporting Arizona wages or Arizona income tax withheld must be filed as Optical Media or as paper forms using Form A1-T.

Employers filing Form A1-R electronically, must submit the supported federal forms electronically through AZTaxes, AZ Web File (AZFSET), or by a registered transmitter.²

Federal forms not supported by the department must be submitted by CD, DVD, or flash drive (Optical Media), or as paper forms. To submit these forms, complete and mail Form A1-T to the address on the form. Include the Optical Media or the paper forms with your submission. When submitting Form A1-T, do not include a paper copy of Form A1-R. If submitting by Optical Media, see the Section below labeled, *Optical Media* for instructions.

Employers filing Form A1-R by paper, may submit the supported federal forms electronically through AZTaxes or AZFSET. If the employer does not submit the supported federal forms electronically, **all** required federal forms **must** be attached to Form A1-R as either Optical Media or as paper forms. If submitting by Optical Media, see the Section below labeled *Optical Media* for instructions.

employees, beneficiaries or payees. Similarly, "employee(s)" includes employees, recipients, beneficiaries and payees.

² Required federal forms that are unsupported or rejected may be submitted by Optical Media or as paper forms.

If submitting a paper return, mail the return to:
 Arizona Department of Revenue
 PO Box 29009
 Phoenix, AZ 85038-9009

Optical Media

When submitting the federal attachments by Optical Media, label the CD, DVD or flash drive with the employer's name, EIN, preparer contact information, calendar year and Form W-2 or Form 1099 (or both, whichever applies). If the Optical Media is password protected, note that on the label and indicate the email address from which you will be sending the password to the department. Email the password separately to MediaLibrarian@azdor.gov. Include "Form W-2" or "Form 1099" (or both, whichever applies) in the subject line of the email. In the body of the email, include the same information that is on the label of the Optical Media.

The department will not return or copy any Optical Media submitted.

Employers submitting the information on Optical Media should secure the Optical Media in a hard case and include it with Form A1-R or Form A1-T.

For more details on submitting the required federal forms using Optical Media, see the department's publication, Pub. 701, *Submitting Arizona Forms A1-R, or A1-APR, and Federal Forms W-c, W-2c, W-2G and 1099*.

CAUTION: *The employer submits the Optical Media at its own risk. If the department cannot access the information on the Optical Media for any reason, the employer may need to provide the information again.*

Filing Tips

- For layouts and business rules for electronically submitting Federal Forms W-2, W-2c, W-2G and 1099, refer to the Department's Pub 701, or click here: <https://azdor.gov/e-services/e-services-withholding-and-w-2-1099>
- Each wage and information return reportable to Arizona must include the employer or payer's Employer Identification Number (EIN). Do not truncate the employer or payer EIN.
- Do not truncate the employee's Social Security Number (SSN).

Requesting a Waiver

To request a waiver, submit Form 292, Electronic Filing and Payment Waiver Application, to the department. Form 292 is available at: <https://azdor.gov/forms/other-forms/electronic-filing-and-payment-waiver-application>.

Any employer who is required to file its withholding return electronically may apply to the director for an annual waiver from the electronic filing requirement. The waiver may be granted, which may be renewed for one subsequent year, if any of the following apply:

- The employer has no computer.
- The employer has no internet access.
- Any other circumstance considered to be worthy by the director.

A waiver is not required if the withholding return cannot be electronically filed for reasons beyond the employer's control, including situations in which the employer was instructed by

the Internal Revenue Service (IRS), or the Arizona Department of Revenue (department) to file by paper.

Please contact the department at azwebfilesupport@azdor.gov if you need assistance in submitting your Arizona withholding return electronically.

When is Form A1-R Due?

Form A1-R is due on or before January 31 of the year following the close of the calendar year.

Timely Filing of Returns

- The department determines the timeliness of an electronically filed tax return by the date of the electronic postmark. If the taxpayer and the electronic return preparer or the electronic return transmitter are in different time zones, it is the taxpayer's time zone, as determined by the taxpayer's address, that controls the timeliness of the electronically filed return. When a return has been electronically received on the host system of more than one electronic return preparer or electronic return transmitter during its ultimate transmission to the department, the return shall be deemed filed and received by the department on the date of the earliest electronic postmark.
- The department determines the timeliness of a paper-filed tax return by the postmark or other official mark of the United States Mail stamped on the envelope in which the return is mailed. See the department's ruling, GTR 16-1, *Timely Filing of Income or Withholding Tax Returns Through the United States Mail*.
- The department will accept proof of mailing from a private delivery service included in the Internal Revenue Service (IRS) list of designated private delivery services. Contact the private delivery service for information regarding how to obtain written proof of mailing.
- If the due date for the return falls on a Saturday, Sunday, or a legal holiday, the return is considered timely filed if it is postmarked the next business day. See the department's ruling, GTR 16-2, *Timely Filing of Income or Withholding Tax Return – Holidays and Weekends*.

Extension of Time to File Form A1-R

You may apply for a 30-day extension of time to file Form A1-R. When asking for an extension, you must show good cause. You must file the extension request as soon as you know that you need an extension. The extension request must be mailed on or before January 31. For details on how to request an extension, see Withholding Tax Procedure (WTP) 11-1, *Procedure for Requesting Extension of the Filing Deadline for Annual Withholding Tax Returns*.

If you are required to pay by EFT and are making a payment with your extension request, see the Section, *Payments by Electronic Funds Transfer*, for options to make your extension payment.

If you are not required to pay by EFT and are making a payment with your extension request, you must make that payment with a completed Form A1-WP. Show that the payment is for the 4th Quarter of the year for which you requested the extension.

Filing Original Returns

File this form only on a calendar year basis. File one Form A1-R per Employer Identification Number (EIN) per calendar year, regardless of the source of the withholding. Submit Form A1-R

electronically unless the employer has been granted a waiver, or has been instructed to file a paper return by the IRS or by the department.

A Payroll Service Company must submit Form A1-R electronically.

NOTE: Arizona law states that all amounts withheld are to be treated as if the withholding was from wages paid to an employee. If you file federal Form 941 or Form 944 to report federal withholding on Arizona wages and federal Form 945 to report federal withholding on Arizona non-wage payments for the same EIN, file one A1-R to report and reconcile your total Arizona withholding for the year, regardless of the source of that withholding. Do not file more than one original A1-R for the same EIN for the same calendar year.

What to Do If You Close Your Business

When your business is sold, discontinued, converted to a new form, or all your employees are dismissed, you must notify the department by filing a final return and request the department close your withholding account. Until you request the department close your withholding account, your withholding return(s) will continue to be due.

To file your final Form A1-R

- Check Box C if you are submitting this form during calendar year 2022 due to an account cancellation during 2022.
- Check Box D if you are cancelling your withholding account due to a merger or acquisition and the surviving employer is filing Forms W-2.
- Complete the remainder of the return to reconcile your Arizona income tax withholding liability for the year in which your account was closed.

Include state copies of Forms W-2, W-2c, W-2G, and 1099 with the final return.

NOTE: To close your account, you must file a final Form A1-R and file a final Form A1-QRT for the calendar quarter during which final wages were paid. Refer to the instructions for Form A1-QRT for assistance in filing your final Form A1-QRT.

Filing Amended Returns

If this is an amended Form A1-R, check the “Amended Return” box. Enter the amended amounts in all areas of the form. Complete Part 4 to explain why an amended return is being filed. Include amended federal Forms W-2, W-2c, W-2G and 1099.

Unless the employer was granted a waiver to file its original return by paper, or was directed by the IRS or the department to file the original Form A1-R as a paper return, amended Forms A1-R shall be submitted electronically using either AZFSET or a registered transmitter. For additional information on either of these methods, see the preceding section labeled, *Electronic Filing of Withholding Tax Returns*.

NOTE: Amended Forms A1-R cannot be submitted through AZTaxes. If the AZTaxes.gov data entry method was used to file the original return, the amended return must be filed by paper.

Penalties

This form is an information return. The penalty for failing to file, filing late (including extensions) or filing an incomplete return is \$100 for each month or fraction of a month that the failure continues, up to a maximum of \$500.

Specific Instructions

Part 1 – Taxpayer Information

All returns, statements, or other documents filed with the department must have the taxpayer’s EIN indicated on them. Employers who fail to include their EIN may be subject to a penalty.

Employer Information

Enter the employer’s name, EIN, address, and telephone number in the spaces provided.

If the employer has a foreign address, enter the information in the following order: city, province or state, and country. Follow the country’s practice for entering the postal code. **Do not abbreviate the country’s name.**

Check Boxes:

A. Amended Return

Check Box A, “Amended Return” if this is an amended Form A1-R. Explain why you are amending the return in Part 4. Include the corrected copies of Forms W-2, W-2c, W-2G and 1099 (with Arizona withholding) with your amended Form A1-R.

B. Address Change

Check Box B, “Address Change” if you had an address change since you last filed Form A1-R. Enter your current address in Part 1.

C. Early-Filed Final Return

Check Box C if you cancelled your withholding account during 2021 and are filing your final reconciliation during 2021.

D. Cancellation Due to Merger or Acquisition

Check Box D if you cancelled your withholding account due to a merger or acquisition and the surviving employer is filing Forms W-2.

E. Surviving Employer is Filing Form A1-R

Check Box E if Form A1-R is being filed by the *surviving employer and the amount on line 1 is less than the amount on line 10* because the difference was remitted by the predecessor employer. Also, enter the predecessor employer name and EIN in the spaces provided.

NOTE: If you cancelled your withholding account during 2021, you may use the 2021 Form A1-R to file your final reconciliation for 2022 before its normal due date of January 31, 2023. If you are filing an early return for 2022, check box C to indicate that this is an early-filed return for 2022.

Part 2 – Federal Transmittal Information

Line 1

Enter the total Arizona income tax withheld from wages paid to employees for 2021. This amount must be the same as shown on federal Forms W-2, W-2c, W-2G, or 1099.

Line 2

Enter the total Arizona gross wages paid to employees for 2021. Total Arizona gross wages means the amounts considered wages for federal income tax withholding purposes.

Line 3

Enter the number of employees who were paid Arizona wages in 2021. Include employees who had Arizona withholding deducted from their compensation during the year and employees whose compensation was for services performed in Arizona but the employees filed an election to not have any Arizona withholding deducted from their compensation.

Do not include annuity recipients, independent contractors, pension recipients, or those employees whose Arizona compensation is excluded from withholding by Arizona law.

Line 4

Enter the total number of federal Forms W-2, W-2c, W-2G, or 1099 submitted to the department.

Line 5

Form A1-R is an information return. An information return that is incomplete or filed after its due date (including extensions) is subject to a penalty of \$100 for each month or fraction of a month, that the failure continues, up to a maximum penalty of \$500. If the employer files this return after its due date (including extensions), enter the amount of the penalty on this line.

Part 3 – Annual Summary of Amounts Reported on 2021 Arizona Forms A1-QRT**Lines 6 through 10**

On lines 6 through 9, enter the amount of tax reported on Form A1-QRT for each quarter. Add the amounts on lines 6 through 9 and enter the total on line 10. The amount entered on line 10 should equal the amount reported on line 1.

If you are filing Form A1-R as a surviving employer (as a result of a merger or acquisition), and the amount on line 1 is more than the amount on line 10 because amounts were remitted by the prior employer, check Box E near the top of Form A1-R. Also enter the name and EIN of the predecessor employer in the spaces provided.

Part 4 – Explain Why an Amended Form A1-R is Being Filed

If this is an amended return, explain why you are amending Form A1-R.

Underpayment of Tax

If you find that you have underpaid your tax for 2021, you must file an amended Form A1-QRT for each quarter for which there was an underpayment.

You must send in a separate payment with each amended Form A1-QRT. The department will calculate the amount of interest and any applicable penalties and send a billing notice after the amended return is processed.

NOTE: *If your tax liability for that calendar year was more than \$500, you must pay your additional tax liability by Electronic Funds Transfer (EFT). See the Section, Payment by Electronic Funds Transfer, in the instructions for Arizona Form A1-QRT.*

Overpayment of Tax

If you find that you have overpaid your tax for 2021, you must file an amended Form A1-QRT for each quarter for which there was an overpayment.

An overpayment will first be applied to any unpaid tax. This may include tax due for another tax type. If the overpayment is more than any unpaid tax, or if the employer does not have an unpaid balance of tax, a refund will be issued. A refund will not be issued once the overpayment is applied to a tax liability.

Where to Submit Form A1-R

Submit Form A1-R and federal Forms W-2, W-2c, W-2G and 1099 electronically, unless the employer has been granted a waiver pursuant to A.R.S. § 43-325(F), or has been instructed by the IRS or by the department to file a paper return.

If submitting a paper return, mail the return to:

Arizona Department of Revenue
PO Box 29009
Phoenix, AZ 85038-9009

Who Must Sign Form A1-R

The following persons are authorized to sign the return for each type of business entity:

- **Sole proprietorship** - The individual who owns the business.
- **Corporation (including a limited liability company (LLC) treated as a corporation)** - The president, vice president, or other principal officer duly authorized to sign.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization** - A responsible and duly authorized member, partner, or officer having knowledge of its affairs.
- **Single member LLC treated as a disregarded entity for federal income tax purposes** - The owner of the LLC or a principal officer duly authorized to sign.
- **Trust or estate** - The fiduciary.

Form A1-R may be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed.

Paid Preparer Use Only

Paid preparers: Sign and date the return. Complete the firm name and address lines (the paid preparer's name and address, if self-employed).

Paid preparers must provide a Tax Identification Number (TIN). Paid preparers that fail to include their TIN may be subject to a penalty.

The TIN for a paid preparer may be one of the following:

- The preparer's PTIN, or,
- The EIN for the business, or,
- The individual preparer's social security number (SSN), if self-employed.